



SEAL OF THE  
COMMONWEALTH OF MASSACHUSETTS

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## FINAL COST CONTAINMENT POLICY

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## **1. INTRODUCTION**

The SDM and SDA had developed and implement cost containment policy which must be adopted by the council for the SDM and by the board for the SDA. This policy will form part of the budget related policies.

## **2. LEGISLATION**

These policy is based on Section 168(1)(b) and (p) of the Municipal Finance Management Act (MFMA) provides that the Minister may regulate financial management and internal controls and any other matter that may facilitate the enforcement and administration of the Act.

## **ABBREVIATIONS AND DEFINITIONS**

SDM, means Sekhukhune District Municipality

SDA, means Sekhukhune Development Agency

Act, means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

Consultant, means a professional person, individual, partnership, corporation, or a company appointed to provide technical and specialist advice or to assist with a design and implementation of projects or to assist a municipality or municipal entity to perform its functions to achieve the objects of local government in terms of section 152 of the Constitution;

Cost containment, means measures implemented to curtail spending in terms of these regulations; and

Credit card, means a card issued by a financial services provider, which creates a revolving account and grants a line of credit to the cardholder.

## **3. USE OF CONSULTANTS**

1) The SDM or SDA may only appoint consultants if an assessment of the needs and requirements confirms that the affected SDM or SDA does not have the requisite skills or resources in its full -time employ to perform the function.

2) An accounting officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates:

a) determined in the "Guideline on fees for audits undertaken on behalf of the Auditor General of South Africa ", issued by the

South African Institute of Chartered Accountants;

b) set out in the "Guide on Hourly Fee Rates for Consultants ", issued by the Department of Public Service and Administration; or (c) as prescribed by the body regulating the profession of the consultant.

3) The tender documentation for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in sub -regulation (2).

#### **4. VEHICLES USED FOR POLITICAL OFFICE-BEARERS**

- 1) The threshold limit for vehicle purchases relating to official use by political office-bearers must not exceed R700 000 or 70% (VAT inclusive) of the total annual remuneration package for the different grades of municipalities, as defined in the Public Office Bearers Act and the notices issued in terms thereof by the Minister of Cooperative Governance and Traditional Affairs, whichever is lower.
- 2) The procurement of vehicles in sub -regulation (1) must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.
- 3) Before deciding to procure a vehicle as contemplated in sub -regulation (2), the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:
  - a) status of current vehicles;
  - b) affordability of options including whether to procure a vehicle as compared to rental or hire thereof, provided that the most cost effective option is followed and the cost is equivalent to or lower than that contemplated in sub -regulation (1);
  - c) extent of service delivery backlogs;
  - d) terrain for effective usage of the vehicle; and
  - e) any other policy of council.
- 4) If the rental referred to in sub -regulation (3) is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.
- 5) Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometres.
- 6) Notwithstanding sub -regulation (5), a municipality or municipal entity may replace a vehicle for official use by political office bearers before the completion of 120 000km only in instances where the vehicle has a serious mechanical problem and is in a poor condition and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.
- 7) An accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

#### **5. TRAVEL AND SUBSISTENCE**

- 1) An accounting officer:
  - a) may approve the purchase of economy class tickets for all officials or political office bearers where the flying time for the flights is five hours or less; and
  - b) may only approve the purchase of business class tickets for officials, political office bearers and persons reporting directly to the accounting officer for flights exceeding five hours.

## **6. DOMESTIC ACCOMMODATION**

- 1) An accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation and meals as communicated from time to time by the National Treasury through a notice.
- 2) Overnight accommodation may only be booked where the return trip exceeds 500 kilometres.

## **7. CREDIT CARDS**

- 1) An accounting officer must ensure that no credit card or debit card linked to a bank account of the SDM or SDA is issued to any official or political office bearer, including members of the board of directors of the SDA.
- 2) Where officials or political office bearers incur expenditure in relation to official municipal activities, such officials or political officer bearers must use their personal credit cards or cash or arrangements made by the SDM or SDA, and request reimbursement in accordance with the written approved policy and processes.

## **8. SPONSORSHIPS, EVENTS AND CATERING**

- 1) The SDM or SDA may not incur catering expenses for meetings which are only attended by persons in the employ of the SDM or SDA, unless the prior written approval of the accounting officer is obtained.
- 2) An accounting officer may incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceed five hours.
- 3) Entertainment allowances of qualifying officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the accounting officer.
- 4) The SDM or SDA may not incur expenses on alcoholic beverages unless the SMD or the SDA recovers the cost from the sale of such beverages.
- 5) An accounting officer must ensure that social events, team building exercises, year-end functions, sporting events and budget vote dinners are not financed from the SDM or the SDA budgets or by any suppliers or sponsors.
- 6) The SDM or SDA may not incur expenditure on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade unless costs related thereto are recovered from affected officials or is an integral part of the business model.
- 7) An accounting officer may incur expenditure not exceeding the limits for petty cash usage to host farewell functions in recognition of officials who retire after serving the municipality or municipal entity for ten or more years or retire on grounds of ill health.

- 7) The accounting officer of the SDM or SDA must ensure that meetings and planning sessions that entail the use of municipal funds are, as far as may be practically possible, held in-house.
- 8) An accounting officer must grant the approval for officials and in the case of political office bearers and the accounting officer, the mayor, as contemplated in sub-regulation (2).
- 9) The SDM or SDA must, where applicable, take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

## **11. OTHER RELATED EXPENDITURE ITEMS**

- 1) All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from savings where lower prices or rates have been negotiated.
- 2) Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing, printing of agendas and brochures and other inducements as part of, or during election periods or to fund any activities of any political party at any time.
- 3) Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Cabinet member responsible for local government in terms of the Remuneration of Public Office Bearers Act, 1998.
- 4) The SDM or SDA must avoid expenditure on elaborate and expensive office furniture.
- 5) The SDM or SDA may only use the services of the South African Police Service to conduct periodical or quarterly security threat assessments of political office bearers and key officials and a report must be submitted to the speaker's office.
- 6) The SDM or SDA may consider providing additional time-off in lieu of payment for overtime worked. Planned overtime must be submitted to the relevant manager for consideration on a monthly basis. A motivation for all unplanned overtime must be submitted to the relevant manager.
- 7) The SDM or SDA must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

## **12. DISCLOSURES OF COST CONTAINMENT MEASURES**

- 1) The disclosure of cost containment measures applied by the SDM and SDA must be included in the municipal in-year budget reports and annual costs savings disclosed in the annual report.
- 2) The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritisation of cost savings and on the implementation of the cost containment measures must be submitted to the Municipal Council for review and